

**RIO HONDO COLLEGE FOUNDATION**

**FINANCIAL STATEMENTS  
AND INDEPENDENT AUDITORS' REPORT  
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018**



**RIO HONDO COLLEGE FOUNDATION**  
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**JUNE 30, 2019 AND 2018**

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## **Financial Section**

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## INDEPENDENT AUDITORS' REPORT

Board of Directors  
Rio Hondo College Foundation (the Foundation)  
Whittier, California

We have audited the accompanying financial statements of Rio Hondo College Foundation (the "Foundation"), which comprise the statement of financial position as of June 30, 2019 and 2018, and the related statements of activities, and cash flows for the year then ended, and the related notes to the financial statements.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Rio Hondo College Foundation as of June 30, 2019 and 2018, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

## Emphasis of Matter – Change in Accounting Principle

As, discussed in Note 1, Rio Hondo College Foundation of the provisions of Financial Accounting Standards Board Accounting Standards Updated (ASU) 2016-14, Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities as of fiscal year 2018-19. The requirements of ASU 2016-14 have been retrospectively applied to all periods presented. Our opinions is not modified with respect to this matter.

*CWDL, Certified Public Accountants*

San Diego, California  
March 25, 2020

**RIO HONDO COLLEGE FOUNDATION  
STATEMENTS OF FINANCIAL POSITION  
JUNE 30, 2019 AND 2018**

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	<b>2019</b>	<b>2018</b>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 131,237	\$ 252,972
Accounts receivable	5,881	43,552
Investment	2,820,939	2,400,050
Funds held by others	215,857	214,337
<b>Total Assets</b>	<b>3,173,914</b>	<b>2,910,911</b>
<b>Liabilities</b>		
Accounts payable and accrued expenses	24,376	46,008
Accrued payroll and related liabilities	11,458	27,770
Due to Rio Hondo College	91,063	91,063
<b>Total Liabilities</b>	<b>126,897</b>	<b>164,840</b>
<b>NET ASSETS</b>		
Net assets without donor restrictions	102,758	91,537
Net assets with donor restrictions	2,944,259	2,654,534
<b>Total Net Assets</b>	<b>3,047,017</b>	<b>2,746,071</b>
<b>Total Liabilities and Net Assets</b>	<b>\$ 3,173,914</b>	<b>\$ 2,910,911</b>

The notes to financial statements are an integral part of this statement.

**RIO HONDO COLLEGE FOUNDATION  
STATEMENTS OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2019**

	<b>June 30, 2019</b>		
	<b>Net Assets Without Donor Restrictions</b>	<b>Net Assets With Donor Restrictions</b>	<b>Total</b>
<b>REVENUE AND SUPPORT</b>			
Contributions and grants	\$ 60,815	\$ 426,090	\$ 486,905
Fundraising events	139,983	-	139,983
In-kind, facilities	10,000	-	10,000
In-kind, personnel services	99,497	-	99,497
Net investment return	5,005	168,705	173,710
Restrictions released	305,070	(305,070)	-
<b>Total Revenue and Restrictions Released</b>	<b>620,370</b>	<b>289,725</b>	<b>910,095</b>
<b>EXPENSES</b>			
Program services	444,633	-	444,633
Support services	62,912	-	62,912
Fundraising expenses	101,604	-	101,604
<b>Total Expenses</b>	<b>609,149</b>	<b>-</b>	<b>609,149</b>
<b>CHANGE IN NET ASSETS</b>	<b>11,221</b>	<b>289,725</b>	<b>300,946</b>
<b>Net assets - beginning</b>	<b>91,537</b>	<b>2,654,534</b>	<b>2,746,071</b>
<b>Net assets - ending</b>	<b>\$ 102,758</b>	<b>\$ 2,944,259</b>	<b>\$ 3,047,017</b>

The notes to financial statements are an integral part of this statement.

**RIO HONDO COLLEGE FOUNDATION  
STATEMENTS OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2018**

	<b>June 30, 2018</b>		
	<b>Net Assets Without Donor Restrictions</b>	<b>Net Assets With Donor Restrictions</b>	<b>Total</b>
<b>REVENUE AND SUPPORT</b>			
Contributions and grants	\$ 107,713	\$ 326,189	\$ 433,903
Fundraising events	102,900	-	102,900
In-kind, facilities	10,000	-	10,000
In-kind, personnel services	93,257	-	93,257
Net investment return	2,413	153,974	156,387
Restrictions released	227,092	(227,092)	-
<b>Total Revenue and Restrictions Released</b>	<b>543,375</b>	<b>253,071</b>	<b>796,446</b>
<b>EXPENSES</b>			
Program services	400,699	-	400,699
Support services	68,116	-	68,116
Fundraising expenses	105,537	-	105,537
<b>Total Expenses</b>	<b>574,352</b>	<b>-</b>	<b>574,352</b>
<b>CHANGE IN NET ASSETS</b>	<b>(30,977)</b>	<b>253,071</b>	<b>222,094</b>
<b>Net assets - beginning</b>	<b>122,514</b>	<b>2,401,463</b>	<b>2,523,977</b>
<b>Net assets - ending</b>	<b>\$ 91,537</b>	<b>\$ 2,654,534</b>	<b>\$ 2,746,071</b>

The notes to financial statements are an integral part of this statement.



**RIO HONDO COLLEGE FOUNDATION  
STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018**

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	<b>2019</b>	<b>2018</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ 300,946	\$ 222,094
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Investment fees	(1,520)	(3,609)
Realized & unrealized (gain) loss on investments, net	(420,888)	(147,129)
(Increase) decrease in:		
Accounts receivable	37,671	(40,483)
Increase (decrease) in:		
Accounts payable and accrued expenses	(21,632)	20,656
Accrued payroll and related liabilities	(16,312)	18,280
<b>Net cash provided(used) by operating activities:</b>	<b>(121,735)</b>	<b>69,808</b>
 <b>NET INCREASE(DECREASE) IN CASH AND CASH EQUIVALENTS</b>	 <b>(121,735)</b>	 <b>69,808</b>
 <b>Cash and cash equivalents - beginning</b>	 <b>252,972</b>	 <b>183,164</b>
<b>Cash and cash equivalents - ending</b>	<b>\$ 131,237</b>	<b>\$ 252,972</b>
 <b>Supplemental, Non-Cash Information</b>		
In-kind, facilities	\$ 10,000	\$ 10,000
In-kind, personnel services	\$ 99,497	\$ 93,257

The notes to financial statements are an integral part of this statement.

**RIO HONDO COLLEGE FOUNDATION  
STATEMENTS OF FUNCTIONAL EXPENSES  
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018**

	June 30, 2019			
	Program Services	Support Services	Fundraising	Total
<b>Salaries and related expenses</b>				
Salaries, taxes and benefits	\$ 41,276	\$ 34,396	\$ 61,913	\$ 137,585
<b>Advertising and printing</b>				
Audit, taxes and insurance	-	13,652	-	13,652
Bank charges	-	-	2,132	2,132
Contributions to the college	132,199	-	-	132,199
Equipment and supplies	-	-	3,438	3,438
In-kind, facilities	6,500	2,500	1,000	10,000
In-kind, personnel services	89,547	9,950	-	99,497
Licenses, fees and dues	-	-	5,381	5,381
Marketing	-	1,777	-	1,777
Outside services, events	-	-	27,740	27,740
Scholarship expenses	175,111	-	-	175,111
Donor cultivation	-	67	-	67
Travel	-	570	-	570
<b>Total Expenses</b>	<b>\$ 444,633</b>	<b>\$ 62,912</b>	<b>\$ 101,604</b>	<b>\$ 609,149</b>

	June 30, 2018			
	Program Services	Support Services	Fundraising	Total
<b>Salaries and related expenses</b>				
Salaries, taxes and benefits	\$ 39,253	\$ 32,711	\$ 58,879	\$ 130,843
<b>Advertising and printing</b>				
Audit, taxes and insurance	-	14,738	-	14,738
Bank charges	-	-	3,787	3,787
Contributions to the college	114,984	-	-	114,984
Equipment and supplies	-	-	7,290	7,290
In-kind, facilities	6,500	2,500	1,000	10,000
In-kind, personnel services	83,931	9,326	-	93,257
Licenses, fees and dues	-	-	6,059	6,059
Marketing	-	6,833	-	6,833
Outside services, events	-	-	28,522	28,522
Scholarship expenses	143,471	-	-	143,471
Donor cultivation	-	769	-	769
Investment fees	12,560	-	-	12,560
Travel	-	1,239	-	1,239
<b>Total Expenses</b>	<b>\$ 400,699</b>	<b>\$ 68,116</b>	<b>\$ 105,537</b>	<b>\$ 574,352</b>

The notes to financial statements are an integral part of this statement.

**NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES**

**Reporting Entity**

The Rio Hondo College Foundation (the Foundation) was founded in 1992 and is governed by a Board of Directors. Its funding sources are from private and public contributions and fundraising activities. The Foundation is organized under the not-for-profit public benefit corporation law for charitable and educational purposes. It was founded to provide an instrumentality for financing and undertaking activities, projects and functions, of a charitable and educational nature, which will benefit the students and augment the educational programs of Rio Hondo College (the College).

**Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**Basis of Accounting**

The Foundation's policy is to prepare its financial statements on the accrual basis of accounting, consequently, revenues are recognized when earned rather than when cash is received, and certain expenses and purchases of assets are recognized when the obligation is incurred rather than when cash is disbursed.

**Financial Statement Presentation**

The Foundation is required to report information regarding its financial position and activities according to two classes of net assets: net assets with donor restrictions and net assets without restrictions. Net assets without donor restrictions include all resources available for use by the Board of Directors and management's discretion in carrying out the activities of the Foundation in accordance with its Bylaws. Net assets with donor restrictions are only expendable for the purpose specified by the donor or through the passage of time. When a restriction expires (that is, when a stipulated time restriction ends, or purpose restriction is accomplished), Net assets with donor restriction are reclassified as net assets without donor restriction. Net assets with donor restriction are generally required to be held by the Foundation in perpetuity while the earnings on those assets are available for use by the Foundation to support its activities. Donors can place restrictions on the earnings from permanently restricted contributions at the time the contributions are made or pledged. Fund accounting is not used in the Foundation's financial statement presentation.

**NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES, continued**

**Net Assets**

The financial statements report amounts separately by class of net assets as follows:

- Net assets without donor restrictions are those resources that are currently available for operations.
- Net assets with donor restrictions are those resources which are stipulated by donors for various scholarships or other programmatic uses.

All revenues and net gains are reported as increases in net assets without donor restrictions in the statement of activities unless the use of the related resources is subject to net assets with donor restrictions. All expenses and net losses other than losses on endowment investments are reported as decreases in unrestricted net assets.

**Capital Assets**

The Foundation has not adopted a policy to capitalize asset purchases in conformance with generally accepted accounting principles because the Foundation does not own, nor does it have plans to acquire, property or equipment. The property and equipment used by the Foundation in its operations is owned by the District.

**Deferred Revenue**

Deferred revenue arises when potential revenue does not meet the criteria for recognition in the current period and when resources are received by the Foundation prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met or when the Foundation has a legal claim to the resources, the liability for deferred revenue is removed from the statement of financial position and revenue is recognized.

**Cash and Cash Equivalents**

The Foundation considers cash and cash equivalents to include cash in commercial checking accounts and demand deposits in money market funds that are used for operational purposes. Cash and cash equivalents exclude highly-liquid investments restricted for endowment, which are instead reported as investments. Cash and cash equivalent balances, at times, may be in excess of the Federal Deposit Insurance Corporation insurance limit of \$250,000.

**Accounts Receivable**

Receivables consist of accounts receivable and student loans and are stated at the amount management expects to collect from outstanding balances. The Foundation uses the allowance method of accounting for receivables determined to be potentially uncollectable. In management's opinion, all receivables were collectible at year-end and therefore no allowance for doubtful accounts was considered necessary at June 30, 2019 and 2018.

**NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES, continued**

**Investments**

Investments in debt and equity securities with readily determinable market values are recorded at fair value. The fair value of investments in securities traded on national securities exchanges is valued at the closing price on the last business day of the fiscal year; securities traded on the over-the counter market is valued at the last reported bid price.

Investment purchases and sales are accounted for on a trade-date basis. Interest income is recorded when earned and dividends are recorded on the ex-dividend date. Investments are made according to the policies adopted by the Foundation's Board. The Foundation contracts with outside parties to provide investment management and consulting services.

Investment securities are exposed to various risks, such as interest rate, credit and overall market volatility. Because of the level of risk associated with certain long-term investments, it is reasonably possible that changes in the values of these investments will occur in the near-term and that such changes could materially affect the amounts reported in the statement of financial position.

**Funds Held by Others**

The Foundation has the unconditional right to receive all the cash flows from its beneficial interest in California Community Colleges (FCCC). The Foundation records its beneficial interest at the fair value using the present value of the estimated future cash. The balance at June 30, 2019 and 2018 consists of stocks, bonds and mutual fund investments and money instruments stated at market value. The fund is held and investment by the California Community Colleges for the Foundation's benefit and is reported at fair value in the statement of financial position, with distributions and changes in fair value recognized in the statement of activities.

**Deposits and Prepaid Expenses**

Deposits and prepaid expenses are expensed ratably over their respective terms of agreement.

**NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES, continued**

**Accounting for Contributions**

Contributions, including unconditional promises to give, are recognized when received. All contributions are reported as increases in unrestricted net assets unless use of the contributed assets is specifically restricted by the donor. Amounts received that are restricted by the donor to use in future periods or for specific purposes are reported as increases in net assets with donor restriction, consistent with the nature of the restriction. Unconditional promises with payments due in future years have an implied restriction to be used in the year the payment is due, and therefore are reported as net assets with donor restrictions until the payment is due unless the contribution is clearly intended to support activities of the current fiscal year or is received with restrictions. Conditional promises, such as matching grants, are not recognized until they become unconditional, that is, until all conditions on which they depend are substantially met.

**Contributed Goods and Services – (In-kind)**

Contributions of goods received that are measurable are recorded as revenue at their estimated fair value when received. Contributions of services are recognized if the services received meet any of these criteria: (1) if they create or enhance nonfinancial assets and (2) if they require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation.

**Expense Recognition and Allocation**

The cost of providing the Foundation's programs and other activities is summarized on a functional basis in the statement of activities and statement of functional expenses. Expenses that can be identified with a specific program or support service are charged directly to that program or support service. Costs common to multiple functions have been allocated among the various functions benefited.

General and administrative expenses include those costs that are not directly identifiable with any specific program, but which provide for the overall support and direction of the Foundation.

Fundraising costs are expensed as incurred, even though they may result in contributions received in future years. The Foundation generally does not conduct its fundraising activities in conjunction with its other activities. In the few cases in which it does, such as when the annual report or donor acknowledgements contain requests for contributions, joint costs have been allocated between fundraising and management and general expenses in accordance with standards for accounting for costs of activities that include fundraising. Additionally, advertising costs are expensed as incurred.

**NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES, continued**

**Endowment Investments**

Endowment investments consist of investments purchased with the following resources:

- Donor-restricted permanent endowments, which are contributions restricted by donors to investment in perpetuity with only investment income and appreciation being used to support the Foundation's activities.
- Donor-restricted term endowments, which are contributions restricted by donors to investment for the term specified by the donor. During that term, the donor may either require investment income and appreciation to be reinvested in the fund or may permit the Foundation to spend those amounts in accordance with the donor's restrictions on use.
- Board-designated endowments, which are resources set aside by the Board of Directors for an indeterminate period to operate in a manner similar to a donor-restricted permanent endowment. Because a board-designated endowment results from an internal designation, it can be spent upon action of the Board of Directors.

Endowment investments also include investments purchased with unspent investment income and net gains on these resources.

Endowment investments are reported at fair value. The fair value for investments in equity securities traded on national securities exchanges is determined by the closing price on the last business day of the fiscal year; securities traded on the over-the-counter market are valued at the last reported bid price. The fair value of shares in exchange-traded funds is determined by the closing price on the last business day of the fiscal year. The fair value of open-end mutual fund units is determined by the published net asset value per unit at the end of the last trading day of the fiscal year.

The investment and spending policies for the Endowment Fund are discussed in Note 7.

**Income Taxes**

The Foundation is exempt from income taxes under Section 501(a) and 501(c)(3) of the Internal Revenue Code and classified by the Internal Revenue Service as other than a private foundation. The Foundation is also exempt from state franchise or income tax under Section 23701(d) of the California Revenue and Taxation Code.

Income that is not related to exempt purposes, less applicable deductions, is subject to federal and state income taxes. The Foundation did not have any net unrelated business income for the years ended June 30, 2019 and 2018. It is management's belief that the Foundation does not hold any uncertain tax positions that would materially impact the financial statements.

**NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES, continued**

**Use of Estimates**

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of revenues and expenses during the reporting period and the reported amounts of assets and liabilities at the date of the financial statements. On an ongoing basis, the Foundation's management evaluates the estimates and assumptions based upon historical experience and various other factors and circumstances. The Foundation's management believes that the estimates and assumptions are reasonable in the circumstances; however, the actual results could differ from those estimates.

**Comparative Totals**

The financial statements include certain prior-year summarized comparative information. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Foundation's financial statements for the year ended June 30, 2018, from which the summarized information was derived.

**Fair Value Measurements**

The Fair Value Measurements Topic of the *FASB Accounting Standards Codification* establishes a fair value hierarchy that prioritizes inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described below:

Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets.

Level 2 Inputs to the valuation methodology include quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument.

Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement.

As of June 30, 2019, and 2018, the Foundation does not have any assets or liabilities subject to fair value measurements.



**NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES, continued**

**New accounting pronouncement**

In August 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-14, Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for Profit Entities whereby significant changes were proposed in seven areas: net asset classes, liquidity and availability of resources, classification and disclosure of underwater endowment funds, expense reporting, statement of cash flows, investment return, and release of restrictions on capital assets. The amendments in ASU No. 2016-14 are effective for annual financial statements issued for fiscal years beginning after December 15, 2017. Pleasanton Partnership in Education began the implementation of the provisions of Financial Accounting Standards Board Accounting Standards Update (ASU) 2016-14, Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities as of fiscal year 2018-19.

The new standard changes the following aspects of the Organization’s financial statements:

- The temporarily restricted and permanently restricted net asset classes have been predominantly combined into a single net asset class called net assets with donor restrictions.
- The unrestricted net asset class has been transferred into net assets without donor restrictions.
- Investment earnings and related expenses have been combined into a single net activity line item called net investment return.
- The financial statements include a new disclosure about liquidity and availability of financial assets (Note 2).

**NOTE 2 - LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS**

The following reflects the Organization’s financial assets as of the statement of financial position date, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the statement of financial position date. Amounts not available include amounts set aside for program services that could be drawn upon if the Board of Directors approves that action.

	2019	2018
Financial assets, at year-end:		
Cash and cash equivalents	\$ 131,237	\$ 252,972
Investment	2,820,939	2,400,050
Funds held by others	215,857	214,337
Total financial assets, at year-end	3,168,033	2,867,359
Restrictions for specific purposes:		
Board designated	102,758	91,537
Donor designated	2,944,259	2,654,534
Total contractual or donor-imposed restrictions	3,047,017	2,746,071
Financial assets available to meet cash needs for general expenditure within one year	\$ 121,016	\$ 121,288

**RIO HONDO COLLEGE FOUNDATION  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019 AND 2018**

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**NOTE 3 – CASH AND CASH EQUIVALENTS**

Cash and cash equivalents as of June 30, 2019 and 2018, consisted of cash held in checking accounts totaling \$131,237 and \$252,972 respectively.

**NOTE 4 - INVESTMENTS**

The Foundation measures fair value in accordance with FASB ASC 820-10. FASB ASC 820-10 establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy consists of three broad levels; Level 1 inputs consist of unadjusted quoted prices in active markets for identical assets and have the highest priority, Level 2 inputs, other than the quoted market prices in active markets, are observable either directly or indirectly, and Level 3 unobservable inputs in which there is little or no market data, which requires the Foundation to develop its own assumptions. The Foundation uses appropriate valuation techniques based on the available inputs to measure the fair value of its investments. When available, the Foundation measures fair value using Level 1 inputs because they generally provide the most reliable evidence of fair value. Level 3 inputs are only used when Level 1 or Level 2 inputs are not available. All assets reported at fair value at June 30, 2019, are Level 1 and Level 2 inputs.

Investments consist of the following at June 30, 2019:

Type of Investments	Level 1	Level 2	Total
Certificates of Deposit	\$ -	\$ 617,817	\$ 617,817
Endowment Grants			
Cash	1,593	10,116	11,709
Equity Securities:			
Bond Funds	670,295	-	670,295
Equity Funds	795,714	-	795,714
Exchange Traded Funds	688,544	-	688,544
Total	\$ 2,156,146	\$ 627,933	\$ 2,784,079

At June 30, 2019, the Foundation does not have any investments measured using Level 3 inputs.

The composition of the investment return reported in the statement of activities is as follows:

Dividends and interest reinvested	\$ 47,546
Interest income, other	5,005
Realized gain(loss) on investments	(34,952)
Unrealized gain(loss) on investments	143,612
Withdrawals	(16,650)
Investment fees	(12,237)
Total	\$ 132,324

**RIO HONDO COLLEGE FOUNDATION  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019 AND 2018**

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**NOTE 4 – INVESTMENTS, continued**

Investments consist of the following at June 30, 2018:

Type of Investments	Level 1	Level 2	Total
Certificates of Deposit	\$ -	\$ 354,739	\$ 354,739
Endowment Grants			
Cash	8,652	-	8,652
Equity Securities:			
Bond Funds	801,840	-	801,840
Equity Funds	760,110	-	760,110
Exchange Traded Funds	458,223	-	458,223
<b>Total</b>	<b>\$ 2,028,825</b>	<b>\$ 354,739</b>	<b>\$ 2,383,564</b>

At June 30, 2018, the Foundation does not have any investments measured using Level 3 inputs.

The composition of the investment return reported in the statement of activities is as follows:

Dividends and interest reinvested	\$ 47,670
Interest income, other	2,413
Realized gain(loss) on investments	31,391
Unrealized gain(loss) on investments	61,031
Investment fees	(11,820)
<b>Total</b>	<b>\$ 130,685</b>

**NOTE 5 - FUNDS HELD BY OTHERS**

The Foundation is a participant in a pooled investment in the California Community Colleges Scholarship Endowment fund held by the Foundation for California Community Colleges (FCCC) which is permanently restricted for community colleges scholarships. Management and investment oversight is the responsibility of FCCC as directed by the donor, Bernard Osher from the Osher Foundation.

An initial gift from the Osher Foundation of \$25 million and any match from the Osher Foundation are considered gifts to the FCCC and remain assets of the FCCC per the grant agreement. Subsequent fundraising by the Foundation that results in monies transferred to FCCC may remain permanently restricted assets of the Foundation and will be reflected as such on all financial reporting. However, all donations to the endowment must be left in the fund permanently and cannot be returned or used for other purposes.

The Osher Foundation will provide a 50 percent match for each dollar raised. The match will be reconciled annually based on the amount raised each fiscal year by the FCCC and individual colleges. Contributions received from the Foundation and invested in the Endowment on or before June 30 of a given year, and the match dollars subsequently applied to those contributions, begin earning interest and result in scholarship distributions one year later. Earnings on both the dollars raised by the Foundation and the match provided by the Osher Foundation will be distributed as scholarship funds to the Foundation, net of investment expenses.

**RIO HONDO COLLEGE FOUNDATION  
NOTES TO FINANCIAL STATEMENTS  
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**NOTE 5 - FUNDS HELD BY OTHERS, continued**

The earnings from the dollars raised by the Foundation and the corresponding match amount will be set aside for scholarships for Rio Hondo Community College students.

At June 30, 2019 the fair value of this investment was \$215,857. The composition is as follows using Level 2 inputs:

Beginning balance	\$ 214,337
Dividends and interest reinvested	5,318
Net realized gain(loss)	2,282
Net unrealized gain(loss)	4,858
Less - investment fees	(671)
Less - withdrawals	(10,267)
Total	<u>\$ 215,857</u>

At June 30, 2018 the fair value of this investment was \$214,337. The composition is as follows using Level 2 inputs:

Beginning balance	\$ 210,728
Dividends and interest reinvested	4,202
Net realized gain(loss)	23,666
Net unrealized gain(loss)	(13,987)
Less - investment fees	(740)
Less - withdrawals	(9,533)
Total	<u>\$ 214,337</u>

**NOTE 6 – NET ASSETS WITH DONOR RESTRICTIONS**

**Net Assets with Donor Restrictions**

Net assets with donor restrictions at June 30, 2019 consisted of amounts restricted by donor-imposed stipulations, and are available for the following purposes:

Grant	Balance at 7/1/2018	Income	Expenditures	Balance at 6/30/2019
Net assets with donor restricted programs	\$ 411,371	\$ 405,771	\$ (265,245)	\$ 551,897
P&R Endowments	2,028,826	156,206	(28,887)	2,156,145
Foundation for California				
Community College Endowment	214,337	12,458	(10,938)	215,857
Sacchi Endowment	-	20,360	-	20,360
Total	<u>\$ 2,654,534</u>	<u>\$ 594,795</u>	<u>\$ (305,070)</u>	<u>\$ 2,944,259</u>

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**NOTE 6 – NET ASSETS WITH DONOR RESTRICTIONS, continued**

**Net Assets with Donor Restrictions**

Net assets with donor restriction at June 30, 2018 consist of amounts restricted by donor-imposed stipulations, and are available for the following purposes:

Grant	Balance at 7/1/2017	Income	Expenditures	Balance at 6/30/2018
Net assets with donor restricted programs	\$ 290,181	\$ 326,190	\$ (205,000)	\$ 411,371
P&R Endowments	1,900,554	140,092	(11,820)	2,028,826
Foundation for California				
Community College Endowment	210,728	13,882	(10,273)	214,337
Total	<u>\$ 2,401,463</u>	<u>\$ 480,164</u>	<u>\$ (227,093)</u>	<u>\$ 2,654,534</u>

Expenditures of net assets with donor restrictions during the year ended June 30, 2019 were:

Grant	Expenditures	Balance at 6/30/2019
Net assets with donor restricted programs	Scholarships	\$ 265,245
HH Endowments	Scholarships and investment fees	28,887
Foundation for California		
Community College Endowment	Scholarships and investment fees	10,938
Total		<u>\$ 305,070</u>

Expenditures of net assets with donor restrictions during the year ended June 30, 2018 were:

Grant	Expenditures	Balance at 6/30/2018
Net assets with donor restricted programs	Scholarships	\$ 205,000
HH Endowments	Scholarships and investment fees	11,820
Foundation for California		
Community College Endowment	Scholarships and investment fees	10,273
Total		<u>\$ 227,093</u>

**NOTE 7 – ENDOWMENT**

The Foundation received a Title III Endowment Challenge Grant from the Department of Education in the amount of \$364,202 during the year ended June 30, 1998. The corpus of the endowment is to be invested for a period of twenty years and the Foundation may, for allowable expenditures, spend up to fifty percent of the aggregate income earned. Beginning in 2019, the Foundation may use the corpus for any educational purpose.

Starting 2001, the Foundation has been a recipient of Title V Endowment Challenge Grants from the Department of Education, which is passed through the Rio Hondo Community College. The corpus of the endowment, with funds raised by the foundation, is to be invested for a period of twenty years and the Foundation may, for allowable expenditures, spend up to fifty percent of the aggregate income earned. Beginning in 2021, the Foundation may use the corpus for any educational purpose.

On June 4, 2008, the Foundation received a \$150,000 grant from B.C. McCabe Foundation. The award was invested towards the scholarship endowment fund for veterans.

The Foundation follows the provisions of ASC 958 Section 205-45, *Reporting Endowment Funds*. These provisions provide guidance on the net classification of donor-restricted endowment funds for a not-for profit organization that is subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act of 2006 (UPMIFA) and also required disclosures about endowment funds, both donor-restricted endowment funds and board-designated endowment funds.

**Interpretation of Relevant Law**

The Board of Directors of the Foundation has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as net assets with donor restriction until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by UPMIFA.

In accordance with UPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund
- The purposes of the Foundation and the donor-restricted endowment fund
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of the Foundation
- The investment policies of the Foundation

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**NOTE 7 – ENDOWMENT, continued**

The net composition of the endowment as of June 30, 2019, is as follows:

	Net Assets with Donor	
	Restriction	Total
Donor-restricted funds:		
Foundation for California Community Colleges	\$ 215,857	\$ 215,857
Title III	1,204,286	1,204,286
Title V (1)	461,044	461,044
Title V (2)	296,462	296,462
McCabe	194,353	194,353
Sacchi	20,360	20,360
Total	<u>\$ 2,392,362</u>	<u>\$ 2,392,362</u>

The net composition of the endowment as of June 30, 2018, is as follows:

	Net Assets with Donor	
	Restriction	Total
Donor-restricted funds:		
Foundation for California Community Colleges	\$ 214,337	\$ 214,337
Title III	1,131,077	1,131,077
Title V (1)	434,605	434,605
Title V (2)	278,726	278,726
McCabe	184,417	184,417
Total	<u>\$ 2,243,162</u>	<u>\$ 2,243,162</u>

The changes in endowment net assets for the year ended June 30, 2019, are as follows:

	Net Assets with Donor	
	Restriction	Total
Endowment net assets, July 1, 2018	\$ 2,243,162	\$ 2,243,162
Investment return:		
Dividends & Interest	52,864	52,864
Total investment return	<u>2,296,026</u>	<u>2,296,026</u>
Net Gain (realized and unrealized)	116,161	116,161
Fees	(12,908)	(12,908)
Withdrawals	(26,917)	(26,917)
Contributions	20,000	20,000
Endowment new assets, June 30, 2019	<u>\$ 2,392,362</u>	<u>\$ 2,392,362</u>

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**NOTE 7 – ENDOWMENT, continued**

The changes in endowment net assets for the year ended June 30, 2018, are as follows:

	Net Assets with Donor	
	Restriction	Total
Endowment net assets, July 1, 2017	\$ 2,111,282	\$ 2,111,282
Investment return:		
Dividends & Interest	51,872	51,872
Total investment return	2,163,154	2,163,154
Net Gain (realized and unrealized)	102,101	102,101
Fees	(12,560)	(12,560)
Withdrawals	(9,533)	(9,533)
Endowment new assets, June 30, 2018	\$ 2,243,162	\$ 2,243,162

**Return Objectives and Risk Parameters**

The Foundation has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Foundation must hold in perpetuity or for a donor-specified period(s). Under this policy, as approved by the Board of Directors, the endowment assets are invested in a manner that is intended to provide a total return, over time, which at minimum equals or exceeds the rate of inflation plus the annual endowment spending percentage set by the Board of Directors assuming a moderate level of investment risk.

The Foundation expects its endowment funds to provide an average rate of return of approximately 6.3 percent using 10-year capital market assumptions. Actual returns in any given year may vary from this amount.

**Strategies Employed for Achieving Objectives**

To satisfy its long-term rate-of-return objectives, the Foundation relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Foundation targets a diversified asset allocation that places a greater emphasis on quality-based investments to achieve its long-term return objectives within prudent risk constraints.

**Spending Policy and How the Investment Objectives Relate to Spending Policy**

The Foundation's Board of Directors has a policy of evaluating the investment income earned each year. A portion of the income will be designated for student scholarships and the additional available income will be designated for future growth of the endowment based on donor-imposed conditions. The Board of Directors is mindful of its responsibility to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return.



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**NOTE 8 - FUNDRAISING EVENTS**

The Foundation conducted various special event and fundraising activities during the year. The revenue and expenses from fund development activities for the year ended June 30, 2019 were as follows:

June 30, 2019	Revenue	Expenses	Net Revenue
Taste of Rio	\$ 135,292	\$ (20,125)	\$ 115,167
Annual Fund Drive	2,191	-	2,191
RHC Homecoming	2,500	(7,615)	(5,115)
Total	<u>\$ 139,983</u>	<u>\$ (27,740)</u>	<u>\$ 112,243</u>

The revenue and expenses from fund development activities for the year ended June 30, 2018 were as follows:

June 30, 2018	Revenue	Expenses	Net Revenue
Taste of Rio	\$ 100,520	\$ (28,521)	\$ 71,999
Annual Fund Drive	2,380	-	2,380
Total	<u>\$ 102,900</u>	<u>\$ (28,521)</u>	<u>\$ 74,379</u>

**NOTE 9 - RELATED PARTY TRANSACTIONS**

The Foundation's primary purpose is to assist in the institutional development and encourage community support to Rio Hondo Community College and its students. The Foundation receives gifts, property and funds to be used for the benefit of the College, its programs, and any person or organization having an official relationship with the College. The balance payable to the College amounted to \$91,063 as of June 30, 2019 and \$103,257 as of June 30, 2018.

To assist the Foundation in carrying out its purpose, the College provides administrative services to the Foundation. Salaries and benefits for the administrative staff are paid by the College. For the fiscal year ended June 30, 2019 and 2018, the College provided in-kind personnel services of approximately of \$99,497 and \$93,257 respectively. Working space for employees, who perform administrative services for the Foundation, is provided by the College at no charge to the Foundation, and for 2019 and 2018 amounted to an estimated fair value of \$10,000. These amounts are classified as in-kind contributions and expenses in the accompanying statements of activities and statement of functional expenses.

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**NOTE 10 - CONCENTRATION RISK**

Financial instruments, which potentially expose the Foundation to concentration of credit risk, consist primarily of cash and cash equivalents. The Foundation places its cash and cash equivalents with major financial institutions. The total cash balances are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 per bank. As of June 30, 2019, and 2018, the Foundation's cash balances did not exceed the FDIC limit.

The majority of the Foundation's contributions and grants are received from corporations, foundations, and individuals located in the greater Los Angeles metropolitan area and from agencies of the state of California. As such, the Foundation's ability to generate resources via contributions and grants is dependent upon the economic health of that area and of the state of California. An economic downturn could cause a decrease in contributions and grants that coincides with an increase in demand for the Foundation's services.

**NOTE 11 – SUBSEQUENT EVENTS**

The Foundation management evaluated subsequent events from June 30, 2019 through March 25, 2020 the date the financial statements were issued. The District concluded that no subsequent events have occurred that would require recognition or disclosure in the financial statements.